

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 5, 2011
POSITION: Neutral, note concerns
SPONSOR: California Solar Energy Industry Association,
Solar Alliance

BILL NUMBER: SB 585
AUTHOR: C. Kehoe

BILL SUMMARY: Energy: Solar Energy Systems: Funding

Existing law establishes the California Solar Initiative (CSI), a program capped in statute at \$3.3 billion, providing incentives for installing solar photovoltaic (PV) systems for customers of investor-owned utilities (IOUs) and publicly owned utilities (POUs). Existing law also requires the California Public Utilities Commission (CPUC) to adopt CSI incentive payments declining not less than an average of 7 percent per year and become zero as of December 31, 2016. Existing law requires the CPUC to make payments based on the amount of electricity produced for all PV systems over 100 kilowatts and for half of all systems over 30 kW.

This bill, an urgency measure, would authorize the CPUC to use accrued interest from CSI funds, estimated to be \$40 million, to provide incentive payments for non-residential installations and to increase collections from electric ratepayers serviced by the San Diego Gas and Electric Company (SDG&E), the Southern California Edison Company, and the Pacific Gas and Electric Company (PG&E) for any additional funding needed for non-residential PV systems. The bill would increase the CSI to a statutory cap of \$3.5 billion, an increase of \$200 million.

FISCAL SUMMARY

According to the CPUC, this bill would not impose new state costs. However, the bill would have an economic impact on specified electric ratepayers. Currently, CSI rate collections are estimated to be \$160 million per year for calendar years 2013 and 2014. The rate collections would then begin to decrease in 2015 and 2016.

The bill would increase CSI funding by allowing interest accrued to be expended on the program. This will result in rate decreases being delayed until 2017. Currently, CSI collections in calendar years 2015 and 2016 are scheduled to decrease. The estimated program shortfall is \$160 million. However, we note the CPUC states the additional funding is necessary to meet the CSI general market program goal of 1,750 megawatts of PV generated electricity.

COMMENTS

Funding for non-residential incentives in the CSI 10-tier performance based declining incentive program is exhausted in two IOU service territories, PG&E and SDG&E. The bill is intended to ensure the state CSI goals for non-residential solar installation are met by providing additional funding.

Finance is neutral on the bill, but notes the following concern:

- The proposed delay in rate reductions to address the CSI non-residential shortfall would affect all ratepayers, including residential, for a program incentive only benefiting non-residential customers.

Analyst/Principal (0623) J. McGuinn	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL NUMBER

SB 585

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)								
Agency or Revenue	CO	PROP							Fund	
Type	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code	
8660/PUC	SO	No	-----	See Fiscal Summary				-----	0995	
8660/PUC	SO	No	-----	No/Minor Fiscal Impact				-----	0462	
<u>Fund Code</u>	<u>Title</u>									
0462	Publ Utilities Comm Utilities Reimb Acct									
0995	Reimbursements									